Ombudsman's Determination

Applicant	Mr D
Scheme	Renault UK Limited Pension Fund - Renault Section
Respondents	Mercer
	The Trustees of the Renault UK Limited Pension Fund (**the Trustees**)

Outcome

1. I do not uphold Mr D's complaint and no further action is required by Mercer or the Trustees.

Complaint summary

2. Mr D has complained that:-

- He was not informed that he could have received an early retirement pension on an unreduced basis.
- The Cash Equivalent Transfer Value (**CETV**) of his benefits in the Fund fell between 2016 and 2018.
- Mercer applied reductions to his CETVs.
- Mercer provided him with poor service.

Background information, including submissions from the parties

3. On 1 October 1998, Mr D commenced employment with Renault UK Limited (**the Employer**). He was a member of the Fund from 6 March 1999 until 3 December 2004, when he left the Employer. Mr D's normal pension date (**NPD**) was in July 2018, when he reached age 62.

4. On 27 January 2005, the then Fund administrator, issued Mr D with a Fund booklet and preserved benefit statement (**PBS**). It said that:-

- On his leaving date, Mr D was entitled to a basic annual pension of £3,384.93.

- The basic pension would increase from his leaving date until he reached age 62.
- Mr D could take his pension, unreduced, when he reached age 62.
- Mr D had made Additional Voluntary Contributions (**AVCs**) that were not included on the statement and would remain with the AVC provider until he retired or decided to transfer to a different arrangement.
- Mr D could take some of his benefits, unreduced, when he reached age 60. Details were included in an announcement letter issued on 30 September 2003.

5. In August 2016, Mr D asked Mercer, the Fund Administrator, to send him an updated CETV because he had misplaced his documentation when he moved home in 2014.

6. On 13 September 2016, Mercer issued Mr D with a transfer out statement (**the 2016 transfer statement**). It said that:-

- The full transfer value was £166,208.00, excluding the AVC, but the CETV offered was £124,731.00 due to a deficit in the Fund (**the 2016 CETV**).
- The 2016 CETV was guaranteed until 6 December 2016.

7. The 2016 transfer statement also provided details of Mr D’s estimated retirement benefits at the Fund’s retirement age, which it said was when he reached age 65.

8. On 9 January 2018, Logic Wealth Management, Mr D’s Independent Financial Adviser, requested an “illustration of a CETV”.

9. On 14 March 2018, Mercer sent Logic Wealth Management a transfer pack (**the 2018 transfer pack**) which included:

- information on pension scams;
- a notice for members wishing to transfer;
- Fund details which stated that the normal retirement age for service prior to 1 April 2004 was 60 and post 1 April 2004 was 62;
- a statement of entitlement which said that the transfer value, including AVCs, was £102,302.00 (**the 2018 CETV**); and
- a transfer application form.

10. Within the 2018 transfer pack, there were two statements that said:

> “Please note that the transfer value included within this statement represents 79% of the full value of your benefits within the Fund, and is the amount that would be available if you were to elect to transfer your benefits.”
>
> And

> "The "full" transfer value is the amount the Trustees would have paid if the Fund had sufficient assets. The transfer value quoted to you is £27,194.00 less than the full amount because the Fund does not currently have sufficient assets to pay full transfer values to all members…The Trustees are allowed to do this under paragraph 2 of Schedule 1A to the Occupational Pension Schemes (Transfer Values) Regulations 1996 (SI 1996/1847), and have chosen to do so in order to protect the security of benefits of those members who remain in the Fund."

11. On 13 April 2018, Mercer sent Mr D a retirement pack (**the retirement pack**) because he was approaching his NPD. It included a retirement benefits statement for Mr D's main benefits in the Fund and an AVC quotation.

12. On 18 April 2018, Logic Wealth Management contacted Mercer to question the 2018 transfer pack and, in summary, asked it to confirm:

    - what Mr D's NPD was;
    - whether it had correctly calculated Mr D's benefits; and
    - how it had calculated Mr D's benefits.

13. On 25 April 2018, Mercer responded to Logic Wealth Management and said:-

    - The Fund retirement age was 65 for all members and was shown in all statements. But Mr D could have taken his pre 1 April 2004 benefits unreduced at age 60 and could take his post 1 April 2004 benefits at age 62.
    - The retirement benefits statement was correct and no early retirement factors had been applied because he would reach age 62 in July 2018.
    - The 2018 CETV was correct, calculated by the actuary and agreed by the Trustees.
    - Mr D could take all of his benefits unreduced at age 62.

14. On 31 May 2018, Logic Wealth Management complained to Mercer that:-

    - It had not provided all of the necessary information for Mr D to make a decision about his retirement.
    - In 2016, Mr D was diagnosed with a serious health condition so he requested a CETV.
    - Mercer failed to tell Mr D that he could take his retirement benefits, unreduced, when he reached age 60 or 62.
    - Mercer had provided conflicting information about the NPD.
    - It had requested information from Mercer in December 2017, because Mr D was being made redundant and wanted to know what income he could receive. Mercer

did not provide all of the information that it had requested, in particular, the Fund booklet.

- Mercer had provided both it and Mr D poor service.

- Had Mercer provided Mr D with “all the information” in 2016, he might have accepted the 2016 CETV, which was around £40,000.00 higher than the 2018 CETV.

15. On 5 June 2018, Mercer received Mr D’s CETV acceptance and the CETV was paid to the receiving scheme on 27 July 2018.

16. On 24 August 2018, Mercer responded to Logic Wealth Management’s letter of 31 May 2018 and said:-

- The Trustees advised members to retain their PBS.

- The PBS made it clear that Mr D could take some of his retirement benefits unreduced from age 60.

- Mercer would not “seek to anticipate a member’s requirements”, so, it would not suggest that a member requested a retirement quotation.

- Mercer had provided Mr D with the correct information about his entitlement at all times, but he chose not to proceed with the transfer in 2016. So, he waived any entitlement to the 2016 CETV.

- The Fund details, included with the 2018 transfer pack, confirmed which benefits Mr D could have taken unreduced from age 60. Mercer had also sent details of the benefits to Logic Wealth Management, by email, on 25 April 2018.

- Mr D could invoke the Fund’s Internal Dispute Resolution Procedure (**IDRP**) if he remained unhappy with the response.

17. On 9 October 2018, Logic Wealth Management responded to Mercer (**the October letter**) and asked it to provide a breakdown of how it had calculated the 2016 and 2018 CETVs. It also raised concerns about at least two departments in Mercer and requested details of the IDRP.

18. Logic Wealth Management received no response so it contacted Mercer again on 26 November 2018.

19. In response, Mercer said that it did not receive the October letter and asked Logic Wealth Management to resend a copy of it. Mercer then referred the complaint to the Fund Actuary so that it could provide details of the transfer value calculations.

20. On 25 January 2019, Mercer responded to the October letter and said:-

- The CETV had been affected by:

  “1. A change in financial conditions,

2. A review undertaken by [the] Trustees which concluded with a change in the methodology for deriving the assumptions, and

3. A change in the underfunding reduction."

- The Trustees determined CETVs, after consulting with the Fund Actuary, in line with its investment strategy.

- The financial assumptions were based on market conditions at the date of calculation so they would change between calculations.

- It included a summary of the CETV illustrations that Mr D had received:

	September 2016	**March 2018**
Post Retirement Discount Rate Assumptions	1.66% p.a.	3.31% p.a.
Full transfer value	£166,308	£129,496
Reduced transfer value	£124,731	£102,302
Percentage reduction applied	25%	21%

- The Trustees were permitted, by law, to reduce CETVs to account for any underfunding in the Fund. The post retirement discount rate (**PRDR**)[1] changed between illustrations, and this was the main reason for the fall in value between 2016 and 2018. The reduced transfer value "fell by a small percentage" between 2016 and 2018. The percentage reduction applied reduced between 2016 and 2018 because the Fund position had improved between the dates.

- It included details of the IDRP.

21. On 6 February 2019, Logic Wealth Management wrote to Mercer and said:-

- Mercer had ignored its request to treat the letter sent in May 2018 as a complaint.

- Mercer had not provided a breakdown or evidence of how it had made the CETV calculations.

- In 2018, other schemes were offering "increased or enhanced [CETV]," but Mercer's were reduced, even though the PRDR assumptions had increased by more than 50%.

- Mr D felt that Mercer has been "unprofessional at best and at worst negligent."

[1] The PRDR is used to calculate the capitalised value of a members benefits at the point of retirement had they not transferred out the defined benefit arrangement.

- Mr D left employment because of the stress that this situation had caused him.

22. On 20 March 2019, Mr D complained under the Fund's IDRP. In addition to the complaint points raised by Logic Wealth Management, Mr D said that:-

- He had not been treated as he should have been, as a "vulnerable client."
- In 2018, he had transferred his benefits out of the Fund because:-
  - Death benefits were his priority, and he was unhappy with those offered by the Fund.
  - He had no confidence in the Trustees to "manage things properly."
  - The lump sum was sufficient to supplement his income.
  - Mercer had provided him with poor service and had not taken his complaint seriously.
  - He had suffered a £64,000.00 financial loss.

23. On 8 May 2019, the Trustees sent Mr D its stage one IDRP response and said:-

- The 2016 CETV was reduced, in line with the Trustees decision at the time, because the Fund was underfunded.
- Mr D did not explain why he had requested a CETV when he contacted Mercer in August 2016.
- The Fund booklet provided details about early retirement benefits.
- At no time could Mercer provide advice on the most appropriate course of action.
- Even if the reduction could have been removed for early retirement, the decision to pay such benefits would still have been subject to meeting the "ill health/incapacity" definition set out in the Rules.
- The CETV paid represented the Trustees' best estimate of the cost of providing a pension and had to use assumptions due to "unknown future factors."
- Mercer had explained the reasons for the reduction to the transfer values in its letter sent on 25 January 2019.
- Mr D did not accept the 2016 CETV illustration, so it would be inappropriate for the Trustees to honour the figure.
- Mr D accepted the 2018 CETV on the advice of his IFA.
- The application form that Mr D signed stated:

  "I understand that the benefit eventually due to me from the receiving arrangement may be more or less than the benefit that would have been paid under the transferring scheme."

- The Trustees could not enhance Mr D's CETV because of his health, but some annuity providers might offer an enhanced annuity based on his health.

- Mr D had not received the level of service that he should have had so Mercer had offered him £250 for the distress and inconvenience that may have been caused.

24. In response, Mr D asked for a stage two IDRP response.

25. On 25 November 2019, the Trustees provided a stage two IDRP response. In summary, the Trustees informed Mr D that:-

- it could not offer him the difference between the 2016 CETV and the 2018 CETV; and

- Mercer was willing to offer Mr D £250 "in full and final settlement" of his complaint.

26. Mr D remained dissatisfied with the Trustees' response and said:-

- He was not aware that he could take some of his retirement benefits from the Fund when he reached age 60.

- He had suffered a financial loss of at least £18,000, caused by a two-month delay in the transfer.

- His health had been affected and he was unable to work.

- Mercer's offer did not reflect the distress and inconvenience that he had suffered.

Adjudicator's Opinion

27. Mr D's complaint was considered by one of our Adjudicators who concluded that no further action was required by Mercer or the Trustees. The Adjudicator's findings are summarised below:-

- The PBS made it sufficiently clear that Mr D could take some of his benefits unreduced when he reached age 60.

- It would have been reasonable for Mr D to query what age he could take his benefits at when he contacted Mercer in 2016, rather than simply requesting a CETV.

- The 2016 CETV was only guaranteed for three months and was significantly higher than the amount that was eventually transferred. However, Mr D was not entitled to the higher amount because he did not accept it within the allowed three months.

- The Fund was underfunded, so the Trustees decision to reduce the CETVs, was in accordance with the regulations and did not amount to maladministration.

- Mr E had claimed an £18,000 financial loss and a loss of investment growth due to a two-month delay when he transferred out of the Fund. The delay could not be solely attributed to any failure by Mercer, and the £18,000 that Mr E had claimed was the difference between the 2016 and 2018 CETVs, not a financial loss.

- Mercer's offer of £250 was reasonable in the circumstances.

28. Mr D did not accept the Adjudicator's Opinion and the complaint was passed to me to consider. Mr D provided his further comments which do not change the outcome. He said:-

    - Mercer had not ensured that he fully understood the implications of transferring out of the Fund.

    - Mercer had incorrectly informed Logic Wealth Management that Mr D could not take his benefits until he reached age 66.

    - He had experienced unacceptable delays when he had requested important information.

    - He did not expect the 2016 CETV to be honoured, but he believed he should receive a higher level of compensation than was currently being offered.

    - He had been "victimised" for not understanding the terms and conditions of the Fund or for believing that he would be treated fairly and honestly.

29. I agree with the Adjudicator's Opinion and note the additional points raised by Mr D.

Ombudsman's decision

30. Mr D is concerned that Mercer did not ensure he understood the risks of transferring his benefits out of the Fund. I have considered Mr D's claim, but I am unable to agree with it.

31. The 2016 and 2018 CETVs included important information about the risks of transferring out of the Fund. Both quoted reduced values to take into account the Fund's deficit. It was not Mercer's responsibility to provide Mr D with advice before he transferred his benefits out of the Fund. Mercer was required to provide basic Fund information and a CETV. I am of the opinion that Mercer fulfilled its duties as the Fund administrator and the documentation clearly set out the risks of transferring out of the Fund. If Mr D did not believe he had all the information he needed to make an informed decision, it would have been reasonable for him to raise his concerns with Logic Wealth Management, as his adviser, or Mercer. Having reviewed the information that was made available to Mr D, I am satisfied that Mercer provided information that made the situation sufficiently clear. It was not for Mercer to second guess Mr D's understanding of the ramifications of transferring out of the Fund.

32. Regarding Mr D's assertion that the information about his NRD was unclear, the Adjudicator has explained that the PBS made it clear that Mr D's retirement date was when he reached age 62. The PBS also explained he could take some of his benefits when he reached age 60. The retirement benefit statement included with the retirement pack showed Mr D's retirement date was July 2018, but the Fund's NPD was when he reached age 65. I appreciate that there was some confusion over Mr D's NPD, which led to a number of exchanges between Mr D, Logic Wealth Management and Mercer. However, I am satisfied that the correct information was available to Mr D in sufficient time for him to make informed decisions in 2016 and 2018.

33. Mr D also complains that the transfer was delayed, which caused a loss of investment return. Mercer sent Logic Wealth Management the 2018 transfer pack on 14 March 2018, received the completed application on 5 June 2018 and completed the transfer on 27 July 2018. Between March and June 2018, Logic Wealth Management was corresponding with Mercer about Mr D's transfer. I do not find that any perceived loss of investment is solely a result of failings by Mercer or the Trustees. I consider any delays to be a result of poor administration, rather than maladministration. In any case, I note the transfer was completed well within the six months allowed for in legislation.

34. Mr D believes that Mercer's offer of £250 is not sufficient to compensate him for the distress and inconvenience that he has suffered. He also says that Mercer and the Trustees have accepted some fault and should receive a "penalty". My awards are to remedy an injustice, rather than punish a respondent when things have not gone as they should have. With this in mind, I find Mercer's offer to be reasonable in the circumstances and I do not agree that the award should be increased.

35. Finally, Mr D says that has been penalised for his lack of understanding about the Fund. While I appreciate that Mr D is disappointed, it is clear that both Mercer and the Trustees provided Mr D and Logic Wealth Management with the necessary information required to make an informed decision. I cannot see that either Mercer or the Trustees has failed to provide the information that it was required to by legislation. Ultimately, if Mr D had any concerns, he ought to have raised them before he transferred his benefits out of the Fund. Mr D should contact the Trustees if he wishes to accept their offer.

36. I do not uphold Mr D's complaint.

Anthony Arter

Pensions Ombudsman
26 May 2021